

MONTANA LEGISLATIVE HISTORY

Chapter 128 1981

Bill H _____ S 211

Original bill & history /c

H. Committee on Bus. Industry

S. Committee on Bus. Industry

Hearing Date(s) _____ c

Hearing Date(s) _____ c

3/9 _____ c

1/28 ✓ c

_____ c

_____ c

_____ c

_____ c

Date Out 3/9 ✓ c

out 1/30 ✓

Did this bill originate in an interim committee? _____ Yes _____ No

Committee _____

Report _____

3RD READING: 4/16 YEAS: 37; NAYS: 60
BILL KILLED ON 3RD READING: 4/16

SB 209 -- MAZUREK -- PROVIDING FOR THE PAYMENT OF COURT JUDGMENTS PERIODIC INSTALLMENTS.

INTRODUCED AND REFERRED TO COMMITTEE ON JUDICIARY: 1/20

HEARING: 2/13

REPORT: 2/14, ADVERSE REPORT ADOPTED -- YEAS: 49; NAYS: 16
-- KILLED

SB 210 -- SENATE TAXATION COMMITTEE; CRIPPEN -- AMEND 15-15-101 TO TAXPAYERS TO CHALLENGE ASSESSMENT RULES AND PROCEDURES BEFORE STATE TAX APPEAL BOARD...

FISCAL NOTE: REQUIRED

INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION: 1/20

HEARING: 2/2

REPORT: 2/19, DO PASS AS AMENDED

2ND READING: 2/21, DO PASS

3RD READING: 2/24, YEAS: 50

TRANSMITTED TO HOUSE: 2/24

REFERRED TO COMMITTEE ON TAXATION: 3/2

HEARING: 3/13

REPORT: 4/10, BE CONCURRED IN, AS AMENDED

2ND READING: 4/16, YEAS: 79; NAYS: 3

ON MOTION, 4/16, RULES SUSPENDED, PLACED ON 3RD READING

3RD READING: 4/16, YEAS: 98; NAYS: 0

RETURNED TO SENATE WITH AMENDMENTS: 4/16

2ND READING: 4/20, BE CONCURRED IN

ON MOTION, 4/20, RULES SUSPENDED, PLACED ON 3RD READING

3RD READING: 4/20, YEAS: 45; NAYS: 3

TRANSMITTED TO GOVERNOR: 4/22/81

ACTION: 4/29, SIGNED

CHAPTER 526

SB 211 -- HAZELBAKER -- AUTHORIZING INSURANCE AGENTS TO EXTEND CREDIT TO POLICYHOLDERS AND ESTABLISHING INTEREST RATES.

INTRODUCED AND REFERRED TO COMMITTEE ON BUSINESS AND INDUSTRY

INDUSTRY: 1/20

HEARING: 1/28

REPORT: 1/30, DO PASS AS AMENDED

2ND READING: 2/2, DO PASS

3RD READING: 2/4, YEAS: 48; NAYS: 2

TRANSMITTED TO HOUSE: 2/4

REFERRED TO COMMITTEE ON BUSINESS & INDUSTRY: 2/5

HEARING: 3/9

REPORT: 3/9, BE CONCURRED IN

2ND READING: 3/12, YEAS: 80; NAYS: 4

3RD READING: 3/14, YEAS: 85; NAYS: 8

RETURNED TO SENATE: 3/14

TRANSMITTED TO GOVERNOR: 3/18/81

ACTION: 3/23, SIGNED

CHAPTER 128

SB 212 -- FAGER -- PROVIDING A PROGRAM OF HAZARDOUS WASTE MANAGEMENT

SENATE BILL NO. 211

INTRODUCED BY HAZELBAKER

IN THE SENATE

January 20, 1981	Introduced and referred to Committee on Business and Industry.
January 30, 1981	Committee recommend bill do pass as amended. Report adopted.
January 31, 1981	Bill printed and placed on members' desks.
February 2, 1981	Second reading, do pass.
February 3, 1981	Correctly engrossed.
February 4, 1981	Third reading, passed. Transmitted to House.

IN THE HOUSE

February 5, 1981	Introduced and referred to Committee on Business and Industry.
March 10, 1981	Committee recommend bill be concurred in. Report adopted.
March 12, 1981	Second reading, concurred in.
March 14, 1981	Third reading, concurred in. Ayes, 65; Noes, 8.

IN THE SENATE

March 16, 1981	Returned from House. Concurred in. Sent to enrolling. Reported correctly enrolled.
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1 *Amended* BILL NO. *211*
2 INTRODUCED BY *Ball*
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING INSURANCE
5 AGENTS TO EXTEND CREDIT TO POLICYHOLDERS AND ESTABLISHING
6 INTEREST RATES ALLOWED."
7

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
9 Section 1. Extension of credit to policyholder. An
10 insurance agent, as defined in 33-17-102, may extend credit
11 to a policyholder in connection with the issuance or
12 servicing of any policy procured or negotiated by the agent,
13 but any credit so extended must satisfy one of the following
14 requirements unless otherwise authorized by law:
15 (1) if credit is extended to a policyholder for not
16 more than 30 days from the date the premium is due and the
17 credit is not evidenced by a written instrument, no interest
18 may be charged; or
19 (2) if credit is extended to a policyholder for more
20 than 30 days from the date the premium is due and the credit
21 is not evidenced by a written instrument, interest may be
22 charged for credit extended after 30 days at a rate not more
23 than 1 1/2% a month on the unpaid balance; or
24 (3) if the extension of credit to a policyholder is
25 evidenced by a written instrument signed by the

1 policyholder, any interest charged for such credit shall be
2 clearly stated in the instrument and may not exceed the
3 legal rate of interest authorized in 31-1-107.
4 Section 2. Codification instruction. Section 1 is
5 intended to be codified as an integral part of Title 33,
6 chapter 18, part 2, and the provisions of Title 33, chapter
7 18, apply to section 1.

-End-

-2- INTRODUCED BILL
SB 211

August, 1980. A hearing is set for February 25, 1981. Probable date of order will be May, 1981--approximately seventeen months after the date to which costs are related and during a period of high inflation. He believes the bill would shorten that time span substantially and also, would not require a full-blown commission hearing every year.

Mr. Dennis Lopach, representing Butte Water Company, spoke in favor of the bill.

Mr. Mark Clark, attorney representing the Montana Power Company, spoke in support of the bill. He stated that the commission now has the power to do what the bill in concept would make mandatory. He said there is a time frame which limits the ability of the utility to take advantage of the rate review process and the bill would provide the utility a fair opportunity to achieve the rates of return.

OPPONENTS OF SENATE BILL 147.

Mr. James C. Paine, Montana Consumer Counsel, spoke in opposition to the bill. He stated that the "known and measurable expenses" mentioned in the bill are only a small fraction of the true financial situation of the utility. He also said the utilities were not competitive and the bill would not be an incentive for management to cut down on expenses and the potential for abuse is a factor. (Attachment #5.)

Mr. William Opitz, representing the Public Service Commission, spoke against the bill. He stated that the approach the commission uses is very much like what the legislature does when state agencies request a budget increase. He also noted that both Mountain Bell and Pacific Power and Light were granted increases while a full review was pending. (Attachment #6.)

Questions were asked by Senate committee members of opponents and proponents.

Senator Goodover moved that SB 147 be amended as proposed in Attachment #3. A roll call vote was taken and the motion failed 4-4. (Attachment #7.)

CONSIDERATION OF SENATE BILL 211. Chairman Hazelbaker, sponsor of the bill, explained that the bill would allow insurance agents to extend credit to policy holders for the payment of premiums for credit extended beyond 30 days. Interest up to 1 1/2% per month on the unpaid balance would be allowable. He said that insurance agents have had a statement printed on their invoices to the effect that if the amount due is not paid in 30-60 days, interest would be charged. The insurance industry believes this practice should become part of the insurance law.

Ms. Josephine Driscoll, representing Commissioner Omholt, spoke in favor of the bill. She said there is a question under present law whether or not an insurance agent may charge interest on late payment of premiums and if the practice continues, the law should be amended. She stated that insurance agents are expected to pay insurance companies for premiums if coverage is to stay in force. The agent in some cases may have to borrow money from the bank to pay the premiums.

Mr. Roger McGlenn, representing the Independent Insurance Agents of Montana, Inc., spoke in support of the bill. (Attachment #8.)

There was a discussion of Senate Bill 211. Senator Regan questioned the legality of assessing 1 1/2% interest per month.

Chairman Hazelbaker asked Greg Petesch, legislative researcher, to work with Ms. Driscoll to rewrite that portion of SB 211 which is in question and bring it to the committee for reconsideration.

CONSIDERATION OF SENATE BILL 49. The amendments proposed to the committee have not yet materialized and executive action will be postponed.

ACTION TAKEN ON STATEMENT OF INTENT, SENATE BILL 91. Adopted unanimously.

ACTION TAKEN ON SENATE BILL 91. Senator Goodover made a motion that Senate Bill 91 do pass; the motion carried unanimously.

ACTION TAKEN ON SENATE BILL 143. Senator Goodover made a motion that Senate Bill 143 do pass; the motion carried unanimously.

ACTION TAKEN ON SENATE BILL 90. Senator Dover made a motion that Senate Bill 90 do pass; the motion carried unanimously.

ACTION TAKEN ON SENATE BILL 151. Senator Dover made a motion that Senate Bill 151 do pass; the motion carried unanimously.

ACTION TAKEN ON SENATE BILL 106. Senator Lee made a motion that Senate Bill 106 do pass; the motion carried unanimously.

ACTION TAKEN ON SENATE BILL 147. Senator Regan moved that Senate Bill 147 do not pass. Senator Goodover made a substitute motion that consideration of the bill be postponed. The substitute motion carried.

ADJOURN. There being no further business, the meeting adjourned at 11:45 a.m.



Senator Frank M. Hazelbaker, Chairman

jt

Mr. Cadby stated that credit unions do not have to set aside sterile reserves because they are self governed and self regulated. This practice is quite a cost factor in a banking institution. Credit unions don't have to subject themselves to stiff compliance examination--also a costly practice for banking institutions. There are numerous laws and regulations with which banks must comply. He stated that because of the common bond association, credit unions do not have to pay many taxes. Most of the credit unions don't pay property taxes because office space is furnished them. They don't pay corporation income taxes. Mr. Cadby said that credit unions are growing four times faster than banks and he believes they are competing on an unfair and unequal basis. He feels that if they don't contribute taxes to public funds, there is no justification for them to be depositories for such funds.

There was a question and answer session.

Mr. Kirkland stated in his rebuttal that both state and federal credit unions are required to keep statutory reserves and are regulated. He also said that one of the reasons for the proposed legislation is that outlying areas, local entities such as county commissioners, local school boards and municipalities are constantly approaching credit unions and asking if they can put funds into credit unions, as well as banks and savings and loan associations.

Senator Van Valkenburg closed the discussion by saying that he would urge the committee to vote in the best interest of the public and not in the best interest of the banks.

CONSIDERATION OF SENATE BILL 211. Greg Petesch, legislative researcher, presented amendments to SB 211 which would clarify the usury question. (Attachment #3.)

ACTION TAKEN ON AMENDMENTS TO SENATE BILL 211. Senator Regan made a motion that the amendments as presented to SB 211 be adopted. Senator Dover seconded; the motion carried unanimously.

ACTION TAKEN ON SENATE BILL 211. Senator Kolstad moved that SB 211, as amended, do pass. Senator Dover seconded; the motion carried with all members voting yes except Senator Goodover, who voted no.

CONSIDERATION OF SENATE BILL 49. Amendments were submitted by Blue Shield which, if adopted by the committee, would withdraw their opposition to the bill. Since the bill does not apply to individual contracts and only to group policyholders, it is no longer objectionable to them. Senator Kolstad disliked the bill because it affords considerable group benefits which are not available to private individuals. Senator Hazelbaker said that costs to individuals for the benefits would be cost prohibitive.

HOUSE BUSINESS AND INDUSTRY

March 9, 1981

SUMMARY OF BILLS TO BE HEARD TODAY -

SENATE BILL 151 -

Introduced by Sen. Mazurek, revises the state insurance law by removing title insurance from the kinds of coverage that are exempt from the authority of rating organizations.

SENATE BILL 211 -

Introduced by Sen. Hazelbaker, allows insurance agents to extend credit to policy holders. If credit is extended for not more than 30 days, no interest may be charged. If credit is extended for more than 30 days without a note interest of not more than 1 1/2% a month may be charged. If a note is given interest may not exceed the legal rate set in 31-1-107: on amounts up to \$150,000, not more than 10% per year or not more than 4% on the discount rate on 90-day commercial paper, on amounts between \$150,000 and \$300,000, not more than 10% per year or 5% over discount rate, on amounts over \$300,000 rate may be negotiated between the parties.

SENATE BILL 239 -

Introduced by Sen. Hazelbaker, establishes the "Insurance Premium Finance Company Act." An insurance premium finance company may be licensed by the commissioner of insurance upon payment of a \$100 annual fee and meeting other requirements. The bill also allows for revocation of license, for charges allowable, for delinquency charges, and for cancellation of insurance upon default.

SENATE BILL 241 -

Introduced by Sen. Hazelbaker, is intended to enable Montana to meet the requirements of the Social Security Disability Amendments of 1980 that establishes a program of federal certification of Medicare supplemental insurance policies. Known as the "Medicare Supplement Insurance Minimum Standards Act" the bill allows the commissioner of insurance to establish standards for Medicare supplement policies and to set rules for minimum standards for loss ratios on the basis of insured claims and earned premiums. In addition to requiring full disclosure of terms of a policy, the applicant will have 10 days after delivery to return the policy for premium refund for any reason. The act will be effective immediately.

SENATE BILL 261 -

Introduced by Sens. Thomas and Hazelbaker, gives commercial banks and savings banks the right to sell credit life and disability insurance on loans to their borrowers.

3/9/81

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SENATE BILL 211 -

SENATOR FRANK HAZELBAKER, District #41, Beaverhead County, sponsor, explained SB 211 contains a statement setting out the finance charge for accounts that are past due, and insurance agents have been practicing the same thing for years. At the bottom of the statement from the agents notes a finance charge for 12% per month is to be charged on past due accounts. The insurance agents discovered they had been doing this without statutory authority and SB 211 has been written to take care of that.

ROGER McGLENN, Independent Insurance Agents of Montana, Inc., is in support of SB 211. See his testimony EXHIBIT B.

RAY CONGER, Missoula, supports SB 211.

JO DRISCOLL advised mutual agents are prohibited from making any charges other than what is shown on their contract. It is nice to have someone carry your debts for you for two or three months although they have to pay the insurance company and many times they have to borrow money to carry that loan. Giving them 30 days to pay their bills, but after that time, they want to charge some interest rate.

OPPONENTS: None

QUESTIONS -

Rep. Fabrega summarized that the first 30 days there is to be no charge, after 30 days 1-1/2% a month may be charged, or a financial contract can be entered into and interest charged from that day on.

Senator Hazelbaker closed saying this just addresses itself to charging interest after 30 days. Interest could be charged from the beginning, but it would have to be based on the present usury statutes. They get a 60-day free ride, but after 60 days it is time you pay a little attention to your accounts receivable. There is some question as to whether a service fee is interest or not.

SENATE BILL 239 -

SENATOR FRANK HAZELBAKER, District #41, Dillon, author of SB 239 explained should a person have premiums of \$3,000 but his cash flow doesn't allow him to pay that all at once, so the agent contracts to pay the premium but there is no regulation in the law allowing for this. You can arrange for monthly or quarterly payment and the mechanics are that there is a down payment that goes to the premium finance company at the time the contract is issued and then the finance company will direct bill. This bill is needed to enable agencies in the State of Montana to take the commissions they get on the insurance and keep it in the state. Insurance contracts can be cancelled by an agent or can be cancelled by the insurance company. It has to be in Montana law so this can be done so that a premium finance company can cancel insurance also.

EXECUTIVE SESSION -

Rep. Harper moved amendments as proposed be amended. Motion carried unanimously. Rep. Bergene moved further amendments as proposed be adopted, and they were by all those present. Reps. Ellerd, Jacobsen, Meyer, and Andreason were absent. Rep. Harper moved further amendments on page 2, line 4 and (c) be deleted in its entirety. Unanimous concurrence. Rep. Manning moved SENATE BILL 178 BE CONCURRED IN AS AMENDED. Motion carried unanimously by those present. The same four representatives were absent. Adopted amendments may be found in the standing committee report dated March 9, 1981.

Rep. Kitselman moved SENATE BILL 151 BE CONCURRED IN. Motion carried unanimously with 3 members absent.

Rep. Kessler moved SENATE BILL 211 BE CONCURRED IN. Motion passed unanimously with 3 members absent.

SB 239 and SB 241 were further discussed. Rep. Fabrega thought a statement of intent could accompany a payment schedule for a policy to clarify SB 239. SB 241 statement of intent could say something that the intent is that the commissioner may not set standards lower than the NAIC requirements, if this will not jeopardize Montana's chance of getting under federal regulations. The concern is if there is flexibility that there be policies of lesser benefits offered to senior citizens.

Rep. Kitselman thought the \$50 premium would be too costly for senior citizens. That would make this particular supplement cost \$250-\$350 per year. Because of time constraints he would suggest compliance with the Baucus Amendment be addressed in 2 years.

Rep. Fabrega said the only problem that appears is that the NAIC has not yet defined requirements. If insurance is available at \$16-25 per month and that schedule is higher and provided an option, it would have to be backed by the regulation. We want to make sure that we don't put our right to determine the type of policy in jeopardy.

Rep. Harper recommended amendments be made to the bill because statements of intent might be discontinued in the future.

Rep. Fabrega asked Paul Verdon, the researcher to clean up the language on page 7, lines 15 - 17 for SB 239.

Rep. Manning moved SENATE BILL 261 BE CONCURRED IN. Motion carried unanimously with Reps. Andreason, Meyer, Ellerd absent. This bill allows bank officers to write policies and receive the premiums, and the premiums will have to be paid to the bank for the benefit of stockholders. This is a Comptroller of Currency regulation. National banks can already do this and state banks want parity.

Meeting adjourned at 11:15 a.m.

Jo Lahti
Jo Lahti, Secretary

W. J. Fabrega
REP. W. J. FABREGA, Chairman

Independent Insurance Agents of Montana INCORPORATED



REGARDING SENATE BILL NO. 211

To: The House Business and Industry Committee
From: Independent Insurance Agents' Association of Montana
Date: March 9, 1981
Re: Support for Senate Bill No. 211

With today's high interest rate the insurance client is tempted to withhold payment of premium on an agency billed account. An agency billed account is payed by the agent and collected from the insured. If the insured is slow to pay the agent may cancel for nonpayment of premium, however, an agent is reluctant to cancel an otherwise good account. For this reason the agent often delays cancellation. The Independent Insurance Agents feel this could be interpreted as a short term interest free loan, and a form of rebating. As you know rebating is prohibited under our insurance code.

Roger McGlenn